

CONFIDENTIAL

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COUNTRY China

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SUBJECT Economic Information Communist Controlled Trade with Nationalist Areas, Manchuria

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SUPPLEMENT TO REPORT NO. 25X1X

1. Chinese Communist authorities in Kaiyuan (124-01,42-33) have established a Goods Exchange Control Bureau at Shantoupao, which is just inside Communist-controlled territory eight miles north of Tiehling (123-51,42-18). The purpose of the bureau is to regulate the exchange of goods between merchants in Nationalist-controlled Tiehling and those in Communist-controlled Kaiyuan.

2. From 1 April to 1 July 1948 there was a brisk trade in this area. Merchants from Tiehling brought cotton cloth, cotton thread, medicines, gold, silver, tin, and lead to Shantoupao in exchange for opium. One bolt of cotton cloth (approximately forty feet in length) was exchanged for four ounces of opium and a pound of cotton thread for three ounces of opium. The amount of opium exchanged for medicines depended upon the value of the medicine; medicines used for injections were the most desired.

3. As of 1 July 1948 the Chinese Communists suddenly prohibited the exchange of goods at Shantoupao. From then on merchants attempting to trade had to take a circuitous route between the two towns to avoid having their goods confiscated by the Communists.

4. Residents in Communist-occupied areas who wish to go to Nationalist territory to engage in business and trade have to consult the local Communist Production Office. The merchant is given a pass if the head of the production office approves the trip and if the merchant can produce three guarantors willing to accept punishment should the merchant fail to return or is found to have collaborated with the Nationalists. If the merchant makes 100 percent profit on his venture he is rewarded by the production office; if he fails on the first trip he may be given one more chance; if he makes three successful trips he may be given the opportunity to manage a production office in another town. (Comment. It is assumed that the source of paragraph 4 refers to the Kaiyuan area when he states "Communist-occupied areas".)

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